
CONSIDERATION OF A PAYMENT PLAN FOR VEHICLE REGISTRATION TAXES AND FEES

PRESENTATION TO THE SENATE TRANSPORTATION COMMITTEE | FEBRUARY 6, 2023

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INTRODUCTIONS



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Study Proviso SSB 5165

The proviso for this study in the 2021 Biennial Transportation Budget directed the JTC ...to convene a vehicle registration payment work group to study and recommend new options for payment of vehicle fees or taxes due at the time of application for vehicle registration, often referred to as "car tabs."

Specific elements to be analyzed included:

- Necessary system modifications to allow quarterly payments
- Fee structure and allocation
- Potential rebates

These elements were analyzed in the context of:

- Reducing revenue loss due to missed payments
- Reducing impacts to communities of color, households with low incomes, vulnerable populations, and displaced communities

PRIMARY STUDY QUESTIONS

Could the State reduce the impact of registration tax and fee payment on households with low incomes by offering a payment plan?

If so, how could that payment plan be structured?

Why consider a payment plan?

- High cost of registration taxes and fees in some areas
- Changing consumer expectations due to the prevalence of payment plans in the online retail sector
- Other concurrent discussions related to payment plans

RECOMMENDATIONS

- 1** Do not pursue a payment plan.
- 2** Enhance email reminders and launch text message reminders for vehicle registration renewals.
- 3** Consider other ways of supporting households with low incomes.

METHODOLOGY

 Interviews with DOL staff, workgroup members, and other agency staff with program experience



Analysis of vehicle registration data



Desk research into DOL policies and procedures, rebate programs, late fees, and payment options in Washington and in other states



Public survey of behaviors and preferences for payment of registration taxes and fees



Focus group discussions



Discussion of research and policy questions with the Workgroup

BUILDING ON PREVIOUS WORK: 2020 DOL PAYMENT PLAN REPORT

Report estimated administrative costs and revenue loss associated with a hypothetical payment plan (see right)

Impact	2021-2023 Biennium	2023-2025 Biennium
Revenue loss* to the State	\$9 million	\$22.5 million
Administration costs for DOL	\$2.8 million	\$4.1 million
Total impact	-\$11.8 million	-\$26.6 million

**Revenue loss is based on DOL assumptions about vehicle owners moving mid-year, selling cars (title transfer), or otherwise failing to make payments during half of the year.*

Features of the Hypothetical Payment Plan

- Quarterly payments made through DOL's website, by mail, or at a vehicle licensing office
- Customers receive all annual renewal materials (registration paperwork and vehicle tab stickers) up front so the only quarterly task would be to process payment
- Service fee (\$8.00) and filing fee (\$4.50) would be paid once, not with each payment
- \$200 threshold to reduce administration costs
- **Would require modifications in the DRIVES system - possible, but not currently enabled**

REGISTRATION TAXES AND FEES BY GEOGRAPHY

INSIDE THE RTA

Median registration taxes and fees:

\$216

Minimum: \$77 (e.g., 1988 Suzuki Samurai)

Maximum: \$1,796 (e.g., 2021 Tesla Model S)

97% of vehicles have registration taxes and fees over \$100

69% of vehicles have registration taxes and fees over \$150

OUTSIDE THE RTA

Median registration taxes and fees:

\$88

Minimum: \$68 (e.g., 2012 Toyota Camry)

Maximum: \$373 (e.g., 2021 Tesla Model S)

37% of vehicles have registration taxes and fees over \$100

2% of vehicles have registration taxes and fees over \$150

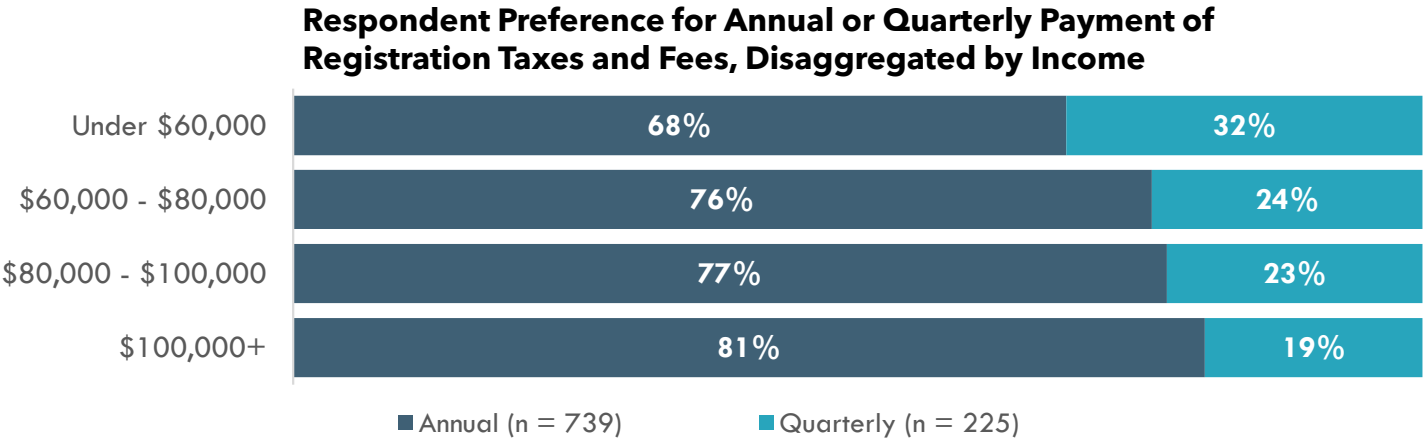
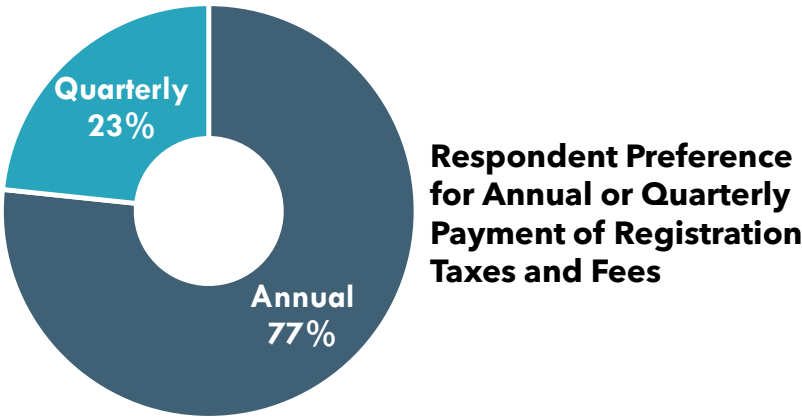
SURVEY FINDINGS: PAYMENT PLAN PREFERENCES

FINDING #1:

77% of survey respondents prefer annual payment of registration taxes and fees to a quarterly plan

FINDING #2:

A greater share of respondents with lower incomes expressed interest in a quarterly payment plan, though a majority in all income groups prefer annual payments



FOCUS GROUP FINDINGS

- **Little interest in a payment plan**
 - Those interested were not willing to pay a fee or were willing to pay only a small fee that would not cover the administrative costs of a payment plan
- Reluctance to sign up for autopay due to concerns about insufficient funds
- Support for email and text reminders
- Overall cost of vehicle registration fees and high cost of vehicle ownership

OBJECTIVES OF A PAYMENT PLAN

To be a viable, worthwhile option, a payment plan would need to balance four objectives:



Equitable support for vehicle owners with low incomes



Low additional administrative costs



Minimal potential for revenue loss



Positive customer experience

RECOMMENDATIONS

- 1** Do not pursue a payment plan.
- 2** Enhance email reminders and launch text message reminders for vehicle registration renewals.
- 3** Consider other ways of supporting households with low incomes.

QUESTIONS